



SACHI A. HAMAI
Interim Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
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"To Enrich Lives Through Effective And Caring Service"

Board of Supervisors
HILDA L. SOLIS
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Fifth District

June 02, 2015


ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

14 June 2, 2015

Dear Supervisors:


PATRICK O'GARA
ACTING EXECUTIVE OFFICER

**LEASE AMENDMENT
BOARD OF SUPERVISORS THIRD DISTRICT FIELD OFFICE,
DEPARTMENTS OF PUBLIC WORKS, PUBLIC HEALTH,
FIRE, AND REGIONAL PLANNING
26600 AGOURA ROAD, CALABASAS
(THIRD DISTRICT)
(3 VOTES)**

SUBJECT

A seven-year lease amendment for 10,346 square feet of office space and 41 on-site parking spaces for the continued use of the Board of Supervisors Third Supervisorial District Field Office, and the Departments Public Works, Public Health, Fire, and Regional Planning at the Calabasas One-Stop Shop facility.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed lease amendment is categorically exempt from the provisions of the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board of Supervisors, per Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Approve and instruct the Mayor to sign the seven-year amendment to the lease agreement with Calabasas TC Properties, LLC (Lessor), for the 10,346 square feet of office space and 41 on-site parking spaces at 26600 Agoura Road, Calabasas, at an initial annual cost of \$285,550. The lease costs are approximately 80 percent funded by fees and State grant funds, and 20 percent net County cost.

3. Authorize the Internal Services Department, or the Lessor, at the direction of the Chief Executive Office, to acquire and install telephone, data, and low voltage systems at a cost not to exceed \$200,000.
4. Authorize the Interim Chief Executive Officer, the Directors of Public Works and Internal Services to implement the project. The lease amendment will be effective upon approval by the Board of Supervisors, and the new term will commence upon completion of the tenant improvements by the Lessor and acceptance by the County.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Since 2005, the County has been operating a "One-Stop Shop" at the existing location for the Departments of Public Works, Public Health, Fire, and Regional Planning servicing the Malibu/Las Virgenes area for building and safety regulatory and permitting purposes. The creation of the One-Stop Shop emanated from the previous deficiencies associated with having separate offices for the applicable departments at various regional locations, allowing for less cohesive responsiveness to the local constituency. In addition, the local field office for the Third Supervisorial District was integrated into the existing location for convenient communication between departments, as well as the surrounding communities. By doing so, the County also achieved additional economies of scale related to office improvements and rental cost savings. The One-Stop Shop functions as the local regulatory arm for building and safety issues, as well as permitting authority and ordinance enforcement, as applicable, for constituents in the northwesterly County region. The facility, situated in a business park adjacent to a primary transportation route, is in close proximity to the U.S. Route 101 freeway and Las Virgenes/Malibu Road in the City of Calabasas. The facility will continue to accommodate approximately 40 employees with sufficient lobby area for public intake. Sufficient base tenant improvement funds are included in the lease amendment for new carpet, paint, and limited necessary adjustments for added efficiencies to the plan check and review bullpen area. Rental costs for the One-Stop Shop participants will be primarily fee offset and State grant funds with about 20 percent of rental costs associated with the Third Supervisorial District Field Office being net County cost.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Operational Effectiveness/Fiscal Sustainability (Goal 1) directs that we maximize the effectiveness of processes, structure, operations, and strong fiscal management to support timely delivery of customer-oriented and efficient public services and the Goal of Integrated Services Delivery (Goal 3) directs that we improve client and community outcomes through the continuous integration of services while safeguarding long-term fiscal sustainability. In this case, the County is supporting these goals by consolidating operations in an office in or near the community it serves to increase effectiveness, enhance customer service, and providing responsive services to the public. The lease amendment is in conformance with the Asset Management Principles as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The proposed lease amendment will provide the County continued use of 10,346 square feet of office space and 41 on-site parking spaces at a monthly base rent of \$23,795.80 per month, or \$285,550 annually, i.e., \$2.30 per square foot per month on a full-service gross basis. The base rental rate reduction of \$0.38/\$4.56 per square foot monthly/annually from the existing rent will represent potential savings of approximately \$330,244 over the extended term of the lease. In addition, a Tenant Improvement (TI) allowance of \$310,380 is included in the base rent for improvement of the premises. Attachment B is an overview of the changes in the lease.

This is a full-service gross lease whereby the Lessor is responsible for all operating costs associated with the County's occupancy. The rent is subject to Consumer Price Index (CPI) increases of 2 percent minimum with a cap of 4 percent per annum. Parking is available in the adjacent lot and included in the rent.

Sufficient funding for the proposed lease costs is included in the Fiscal Year (FY) 2014-15 Rent Expense budget and will be billed back to the applicable departments. The departments have sufficient funding in the FY 2014-15 operating budget to cover the projected lease costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed lease amendment will provide continued use of 10,346 square feet of office space and 41 on-site parking spaces, and contains the following provisions:

- Commencement of new rent and seven-year term upon approval by the Board of Supervisors.
- A full-service gross basis with the Lessor responsible for all operational and maintenance costs.
- A TI allowance of \$310,380, or \$30 per square foot, included in the base rental rate for improvement of the premises.
- Per the existing lease terms, annual rental rate adjustments based upon CPI with a minimum increase of 2 percent and maximum increase of 4 percent per annum.

The Chief Executive Office (CEO) Real Estate Division staff conducted a survey within the search area to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement more economically, nor are there any County-owned or leased facilities available for this program. Based upon said survey, staff has established that the rental range for similar space is between \$19.80 and \$39.90 per square foot per year on a full-service gross basis, excluding parking. Thus, the base annual rent of \$27.60 per square foot per year on a full-service gross basis, including parking, for the proposed lease amendment represents a rate within the market range for area. Attachment C shows County-owned or leased facilities in the proximity of the service area and there are no suitable County-owned or leased facilities available for the program.

The proposed lease amendment will provide an appropriate location which is consistent with the County's Facility Location Policy adopted by the Board of Supervisors on July 24, 2012, as outlined in Attachment D.

The Department of Public Works has inspected this facility and found it suitable for the County's occupancy. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402.

ENVIRONMENTAL DOCUMENTATION

The CEO has concluded that this project is exempt from the California Environmental Quality Act (CEQA) as specified in Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board of Supervisors, and Section 15301 of the State CEQA Guidelines (Existing Facilities).

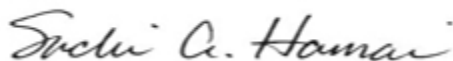
IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease amendment will adequately provide the necessary office space for this County requirement. The One-Stop Shop participants and the Third Supervisorial District concur with the proposed recommendation.

CONCLUSION

It is requested that the Executive Office, Board of Supervisors, return five originals of the executed lease amendment, two certified copies of the Minute Order, and the adopted, stamped Board letter to the CEO, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,



SACHI A. HAMAI

Interim Chief Executive Officer

SAH:TT:CMM

TS:NCH:gw

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Internal Services
Fire
Public Health
Public Works
Regional Planning

**BOARD OF SUPERVISORS THIRD DISTRICT FIELD OFFICE,
DEPARTMENTS OF PUBLIC WORKS, PUBLIC HEALTH,
FIRE, AND REGIONAL PLANNING
26600 AGOURA ROAD, CALABASAS
Asset Management Principles Compliance Form¹**

1.	<u>Occupancy</u>		Yes	No	N/A
	A	Does lease consolidate administrative functions? ² One-Stop facility comprised of multiple field operations.		X	
	B	Does lease co-locate with other functions to better serve clients? ²	X		
	C	Does this lease centralize business support functions? ²			X
	D	Does this lease meet the guideline of 200 sq. ft of space per person? ² Ratio is approximately 258sf per person for unique requirement.		X	
	E	Does lease meet the 4/1000 sq. ft. parking ratio guideline? ² 41	X		
	F	Does public parking and mass-transit exist to facilitate employee, client and visitor access to the proposed lease location? ²	X		
2.	<u>Capital</u>				
	A	Is it a substantial net County cost (NCC) program? One-Stop fee offset. +/- 20% NCC		X	
	B	Is this a long term County program?	X		
	C	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?		X	
	D	If no, are there any suitable County-owned facilities available?		X	
	E	If yes, why is lease being recommended over occupancy in County-owned space?			X
	F	Is Building Description Report attached as Attachment C?	X		
	G	Was build-to-suit or capital project considered? The County already occupies the facility.		X	
3.	<u>Portfolio Management</u>				
	A	Did department utilize CEO Space Request Evaluation (SRE)?	X		
	B	Was the space need justified?	X		
	C	If a renewal lease, was co-location with other County departments considered?	X		
	D	Why was this program not co-located?			X
		1. ____ The program clientele requires a "stand alone" facility.			
		2. ____ No suitable County occupied properties in project area.			
		3. ____ No County-owned facilities available for the project.			
		4. ____ Could not get City clearance or approval.			
		5. <u>X</u> The Program is being co-located.			
	E	Is lease a full service lease? ²	X		
	F	Has growth projection been considered in space request?	X		
	G	Has the Dept. of Public Works completed seismic review/approval?	X		
¹ As approved by the Board of Supervisors 11/17/98					
² If not, why not?					

**FISCAL IMPACT / FINANCING
OVERVIEW OF LEASE CHANGES**

26600 Agoura Road, Calabasas	Existing Lease	Proposed Lease/ Amendment No. 1	Change
Area (square feet)	10,346	10,346	None
Term	(03/05/2005-03/04/2015) currently on month-to-month holdover	Seven years upon Board adoption	+7 years
Annual Rent	\$332,417 (\$32.13/sq.ft.)	\$285,550 (\$27.60/sq.ft.)	- \$46,867* (-\$4.53/sq.ft.)
Base TI Allowance (non-reimbursable)	\$155,190 (\$15.00/sq.ft.)	\$310,380 (\$30.00/sq.ft.)	+\$155,190 (\$15/sq.ft.)
Cancellation	County after 78 months with nine months' notice	None	-6 months
Parking (included)	41	41	None
Option to Renew	One five-year option	None	No option
Rental Adjustment	CPI minimum 2 percent with 4 percent cap	CPI minimum 2 percent with 4 percent cap	None

* Lease comprised of 10,346 square feet of office space at new rate of \$2.30/sq.ft. monthly.

**BOARD OF SUPERVISORS THIRD DISTRICT FIELD OFFICE,
DEPARTMENTS OF PUBLIC WORKS, PUBLIC HEALTH,
FIRE, AND REGIONAL PLANNING
SPACE SEARCH - 5-MILE RADIUS**

LACO	FACILITY NAME	ADDRESS	SQ. FT. GROSS	SQ. FT. NET	OWNER -SHIP	SQ. FT. AVAILABLE
A499	PUBLIC LIBRARY-AGOURA HILLS LIBRARY	29901 LADYFACE CT, AGOURA HILLS 91301	17000	15300	GRATIS	NONE
6595	ANIMAL CONTROL #7- ADMINISTRATION BUILDING	29525 W AGOURA RD, AGOURA HILLS 91301	1986	920	OWNED	NONE
A608	BOS/DPW ET AL-ONE STOP SHOP (VARIOUS DEPTS)	26600 AGOURA RD, CALABASAS 91302	10346	9829	LEASED	NONE
0076	PW ROAD-DIV #339/539 YARD OFFICE	29773 W MULHOLLAND HWY, AGOURA 91301	2400	2160	OWNED	NONE
4414	CAMP GONZALES- ADMINISTRATION BUILDING	1301 N LAS VIRGENES RD, CALABASAS 91302	5781	3546	OWNED	NONE

FACILITY LOCATION POLICY ANALYSIS

Proposed lease renewal: Seven-year lease amendment for the Board of Supervisors Third District, Departments Public Works (DPW), Public Health (DPH), Fire, and Regional Planning – 26600 Agoura Road, Calabasas.

A. Establish Service Function Category – Regional and local public service function.

B. Determination of the Service Area –The proposed lease renewal will allow the Calabasas One-Stop Shop and Third Supervisorial District Field Office to continue to provide a comprehensive full-service facility centrally located to this service area.

C. Apply Location Selection Criteria to Service Area Data

- Need for proximity to service area and population: programs are most effective when located in the same geographic area as its consumers, providers and stakeholders. This location meets the service area criteria and remains in the desired area.
- Need for proximity to existing County facilities: It is the Third Supervisorial District and DPW's desire to collaborate with County Department partners, such as the existing co-housed DPH, Fire, and Regional Planning, whenever possible. The subject facility is located within five miles of offices housing Department of Mental Health, Department of Children and Family Services, Department of Public Social Services and Sheriff's Department.
- Need for proximity to Los Angeles Civic Center: N/A
- Economic Development Potential: N/A
- Proximity to public transportation: The location is adequately served by local transit services.
- Availability of affordable housing for County employees: The surrounding area provides for affordable housing and rental opportunities.
- Use of historic buildings: N/A
- Availability and compatibility of existing buildings: There are no existing County buildings available to meet the Department's service needs.

- Compatibility with local land use plans: The Department of Public Works inspected the facility and found it suitable for County occupancy. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402.
- Estimated acquisition/construction and ongoing operational costs: The initial maximum annual rent is \$285,550. Rental costs are approximately 80 percent fee offset and 20 percent net County cost.

D. Analyze results and identify location alternatives

Based upon the space and service needs of the Board of Supervisors Third District and the One-Stop Shop participants, staff surveyed the immediate area to determine the availability of comparable and more economical site alternatives. Based on a survey of the area, staff established that no viable or suitable alternatives to the existing location were available. The annual rental range for similar office space is up to \$39.90 per square foot on a full-service gross basis, excluding parking. Therefore, the proposed annual rent of \$27.60, including parking, is within market and supports the lease renewal at this location.

E. Determine benefits and drawbacks of each alternative based upon functional needs, service area, cost and other Location Selection Criteria

The renewal of the subject lease amendment for the Third Supervisorial District Field Office and the One-Stop Shop participants will provide adequate space for its employees and efficient space for on-site service to clients, which is consistent with the County's Facility Location Policy adopted by the Board of Supervisors on July 24, 2012. The cost of comparable sites was higher per square foot and the sites would require tenant improvements that would further affect rent.

**AMENDMENT NO. 1 TO LEASE NO. 75083-L
26600 AGOURA ROAD, CALABASAS**

THIS AMENDMENT NO. 1 ("Amendment") is made and entered into as of June 2, 2015, by and between CALABASAS TC PROPERTIES, LLC, a Delaware limited liability company ("Landlord"), and COUNTY OF LOS ANGELES, a body politic and corporate entity ("Tenant").

RECITALS

- A. Landlord (as successor-in-interest to Arden Realty Limited Partnership, a Maryland limited partnership) and Tenant are parties to that certain lease agreement number 75083 dated August 18, 2004 ("Lease"). Pursuant to the Lease, Landlord has leased to Tenant space currently containing approximately 10,346 rentable square feet ("Premises") described as Suite No. 600 on the first (1st) floor of the building commonly known as Calabasas Technical Center-Building C located at 26600 Agoura Road, Calabasas, California ("Building").
- B. The Lease expired by its terms on **March 4, 2015** (the "Existing Termination Date"), Tenant continues to occupy the Premises in holdover status, and the parties wish to extend the term of the Lease on the following terms and conditions.

NOW, THEREFORE, in consideration of the above recitals which are incorporated by reference herein, the mutual covenants and conditions contained herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Extended Term.** The term of the Lease is hereby extended ("Extended Term") through the last day of the eighty fourth (84th) full calendar month following the later to occur of: (i) the Approval Date; or (ii) the substantial completion of the Tenant Improvements as described in Exhibit A ("Extended Termination Date"). For purposes hereof, the "Approval Date" shall mean the date upon which The Board of Supervisors of the County of Los Angeles ("Board") approves and adopts this Amendment. Tenant shall promptly notify Landlord in writing of the date of approval and adoption by the Board.
2. **Basic Rent.**
- 2.1. During the period from the original Lease termination (expiration) date to the Approval Date, Tenant shall continue to pay Landlord Basic Rent as set forth in the Lease based on the terms in effect for the month of February 2015.
- 2.2. From and after the Approval Date, the schedule of Basic Rent shall be as follows:

Period of Extended Term	Annual Rate Per Square Foot (rounded to the nearest 100 th of a dollar)	Monthly Installment of Basic Rent
Approval Date through the day prior to the Adjustment Date	\$27.60	\$23,795.80
From and after the Adjustment Date	Per Sections 5(a) through 5(e) of the Lease	Per Sections 5(a) through 5(e) of the Lease

During the Extended Term, Basic Rent shall be subject to adjustment in accordance with Sections 5(a) through 5(e) of the Lease; provided that, with respect to the Extended Term: (i) "Adjustment Date" shall mean the first day of the first full calendar month after the first anniversary of the Approval Date. For example, if the Approval Date is July 11, 2015, the Adjustment Date would be August 1, 2016; and (ii) the "Base Index" shall be the Index published for the month in which the Approval Date occurs. Without limitation to any of the terms hereof, Landlord and Tenant agree that the Limitations of CPI Adjustment as set forth in Section 5(e) of the Lease shall continue to be applicable during the Extended Term.

3. **Improvements to Premises.**
- 3.1. **Configuration and Condition of Premises.** Tenant acknowledges that it is in possession of the Premises and agrees to accept them "as is" without any representation by Landlord regarding their configuration or condition and without any obligation on the part of Landlord

to perform or pay for any alteration or improvement, except as may be otherwise expressly provided in this Amendment.

- 3.2. **Responsibility for Improvements to Premises.** Landlord shall perform improvements to the Premises in accordance with the Work Letter attached hereto as **Exhibit A**, incorporated by reference herein.
4. **Other Pertinent Provisions.** Landlord and Tenant agree that, effective as of the Approval Date, the Lease shall be amended in the following additional respects:
- 4.1. **California Public Resources Code § 25402.10.** If Tenant (or any party claiming by, through or under Tenant) pays directly to the provider for any energy consumed at the Building, Tenant, promptly upon request, shall deliver to Landlord (or, at Landlord's option, execute and deliver to Landlord an instrument enabling Landlord to obtain from such provider) any data about such consumption that Landlord, in its reasonable judgment, is required to disclose to a prospective buyer, tenant or mortgage lender under California Public Resources Code § 25402.10 or any similar law. Tenant's obligations under this provision are notwithstanding any other law, rule, regulation, or court order that would preclude such disclosure.
- 4.2. **California Civil Code Section 1938.** Pursuant to California Civil Code § 1938, Landlord hereby states that the Premises have not undergone inspection by a Certified Access Specialist (CASp) (defined in California Civil Code § 55.52).
- 4.3. **Landlord's Address for Notice.** Any notice required under the Lease to be given to Landlord shall be sent to the following addresses:
- CALABASAS TC PROPERTIES, LLC**
c/o Equity Office
22144 Clarendon Street
Woodland Hills, CA 91367
Attention: Property Manager
- with copies to:
- CALABASAS TC PROPERTIES, LLC**
c/o Equity Office
Two North Riverside Plaza
Suite 2100
Chicago, IL 60606
Attn: Managing Counsel
- and
- Equity Office
Two North Riverside Plaza
Suite 2100
Chicago, IL 60606
Attn: Lease Administration
- 4.4. **Early Termination.** Section 4(d), "Early Termination" of the Lease is hereby deleted in its entirety and of no further force and effect.
- 4.5. **Option Right.** Landlord hereby grants an option to extend the Extended Term of the Lease for a period of five (5) years ("New Option"), subject to the same terms and conditions as set forth in Section 4(e) of the Lease for Tenant's original Option; provided, however, all references to "Term" shall be construed to apply to the Extended Term" instead.
- 4.6. **Parking.** During the Extended Term, Tenant's right to parking shall continue under the same terms and conditions as set forth in the Lease. In addition, from and after the Approval Date, Tenant, at its sole cost and expense, shall have the right to re-stripe three (3) of its adjacent reserved parking spaces in order to convert them into two (2) adjacent oversized reserved parking spaces.


5. **Miscellaneous.**

- 5.1. This Amendment and the attached Exhibit A set forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Tenant shall not be entitled, in connection with entering into this Amendment, to any free rent, allowance, alteration, improvement or similar economic incentive to which Tenant may have been entitled in connection with entering into the Lease, except as may be otherwise expressly provided in this Amendment.
- 5.2. Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.
- 5.3. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control.
- 5.4. Capitalized terms used but not defined in this Amendment shall have the meanings given in the Lease.
- 5.5. Tenant hereby represents that no third-party brokers have represented Tenant in connection with this Amendment.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Amendment as of the day and year first above written.


LANDLORD:

CALABASAS TC PROPERTIES, LLC, a Delaware limited liability company

By: 
Name: Brendan McCracken
Title: SVP Leasing

I hereby certify that pursuant to Section 25103 of the Government Code, delivery of this document has been made.

PATRICK OGAWA
Acting Executive Officer
Clerk of the Board of Supervisors

By: 
Deputy



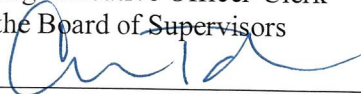
TENANT:

COUNTY OF LOS ANGELES, a body corporate and politic

By: 
MICHAEL D. ANTONOVICH
Mayor, Board of Supervisors

ATTEST:

PATRICK OGAWA
Acting Executive Officer-Clerk
Of the Board of Supervisors

By: 
Deputy

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

14 JUN 02 2015


PATRICK OGAWA
ACTING EXECUTIVE OFFICER

APPROVED AS TO FORM:

MARK J. SALADINO
County Counsel

By: 
Deputy

EXHIBIT A
WORK LETTER

As used in this **Exhibit A** (alternatively, “**Work Letter**”), the following terms shall have the following meanings: “**Agreement**” means the Amendment of which this Work Letter is a part. “**Tenant Improvements**” means all improvements to be constructed in the Premises pursuant to this Work Letter. “**Tenant Improvement Work**” means the construction of the Tenant Improvements, together with any related work (including demolition) that is necessary to construct the Tenant Improvements.

1 ALLOWANCE.

1.1 **Allowance.** From and after the Approval Date, Tenant shall be entitled to a one-time tenant improvement allowance (the “**Allowance**”) in the amount of **\$310,380.00** (i.e., \$30.00 per rentable square foot of the Premises) to be applied toward the (i) Allowance Items (defined in **Section 1.2** below) and/or (ii) credit against Basic Rent coming due under the Lease from and after the first full calendar month following the Approval Date; provided that the total portion of the Allowance that is applied as a credit against Basic Rent shall not exceed, in the aggregate, **\$206,920.00** (i.e., \$20.00 per rentable square foot of the Premises). Tenant, by written notice to Landlord (the “**Allowance Notice**”) shall advise Landlord of the manner in which Tenant desires to apply the Allowance. Any portion of the Allowance that is applied toward the cost of the Tenant Improvement Work shall be disbursed by Landlord to the Contractor (hereinafter defined) retained to perform the Tenant Improvement Work. Any portion of the Allowance that is applied as a credit against Basic Rent shall be applied against the installment of Basic Rent for the second full calendar month following the Approval Date and, if necessary, consecutive calendar months thereafter. Tenant shall be responsible for all costs associated with the Tenant Improvement Work, including the costs of the Allowance Items, to the extent such costs exceed the lesser of (a) the Allowance, or (b) the aggregate amount that Landlord is required to disburse for such purpose pursuant to this Work Letter. Notwithstanding any contrary provision of this Agreement, if Tenant fails to use the entire Allowance within 18 months following the Approval Date, the unused amount shall revert to Landlord and Tenant shall have no further rights with respect thereto.

1.2 **Disbursement of the Allowance.** Except as otherwise provided in this Work Letter, the Allowance shall be disbursed by Landlord only for the following items (the “**Allowance Items**”): (a) [Intentionally Omitted]; (b) plan-check, permit and license fees relating to performance of the Tenant Improvement Work; (c) the cost of performing the Tenant Improvement Work, including after-hours charges, testing and inspection costs, freight elevator usage, hoisting and trash removal costs, and contractors’ fees and general conditions; (d) the cost of any change to the Tenant Improvement Work required by law; (e) the Landlord Supervision Fee (defined in **Section 3.2.2** below); (f) sales and use taxes; and (g) all other costs expended by Landlord in connection with the performance of the Tenant Improvement Work.

2 TENANT IMPROVEMENT WORK AND PRICING.

2.1 **Scope of Tenant Improvement Work.** Upon request from Tenant, Landlord shall work with Tenant in good faith to determine the scope of Tenant Improvement Work that Tenant desires to have performed in the Premises. As necessary, Landlord, at Tenant’s cost (subject to the Allowance), shall retain an architect/space planner to assist Landlord and Tenant in the preparation of plans for the Tenant Improvement Work desired by Tenant. All such Tenant Improvement Work shall be subject to the reasonable approval of Landlord. Tenant shall be responsible for ensuring that all elements of the design of the Tenant Improvement Work are suitable for Tenant’s use of the Premises, and neither the preparation nor the approval of the Plans by Landlord shall relieve Tenant from such responsibility.

2.2 **Construction Pricing.** Following agreement by Landlord and Tenant on the plans for the Tenant Improvement Work (the “**Plans**”), Landlord shall provide Tenant with Landlord’s reasonable estimate (the “**Construction Pricing Proposal**”) of the cost of all Allowance Items to be incurred by Tenant in connection with the performance of the Tenant Improvement Work. Tenant shall provide Landlord with notice approving or disapproving the Construction Pricing Proposal. If Tenant disapproves the Construction Pricing Proposal, Tenant’s notice of disapproval shall be accompanied by proposed revisions to the Plans that Tenant requests in order to resolve its objections to the Construction Pricing Proposal, and Landlord shall respond as required under **Section 2.3** below. Such procedure shall be repeated as necessary until the Construction Pricing Proposal is approved by Tenant. Upon Tenant’s approval of the Construction Pricing Proposal, Landlord may purchase the items set forth in the Construction Pricing Proposal and commence construction relating to such items.

2.3 **Revisions to Plans.** The Plans shall not be revised without Landlord’s agreement, which agreement may be withheld or conditioned in Landlord’s reasonable discretion. If Tenant requests any revision to the Plans, Landlord shall provide Tenant with notice approving or disapproving such revision,

and, if Landlord approves such revision, Landlord shall have such revision made and delivered to Tenant, together with notice of any resulting change in the most recent Construction Pricing Proposal, if any, within ten (10) business days after Landlord's receipt of such request if such revision is not material, and within such longer period of time as may be reasonably necessary if such revision is material, whereupon Tenant, within one business day, shall notify Landlord whether it desires to proceed with such revision. If Landlord has commenced performance of the Tenant Improvement Work, then, in the absence of such authorization, Landlord shall have the option to continue such performance disregarding such revision.

2.4 **Time Deadlines.** Tenant shall use its best efforts to cooperate with Landlord and its contractors and other consultants to provide any necessary approvals relating to the Plans and the Construction Pricing Proposal in a timely manner.

3 CONSTRUCTION.

3.1 **Contractor.** A contractor designated by Landlord from a list approved by the Tenant (the "Contractor") shall perform the Tenant Improvement Work. Tenant shall act reasonably in approving any Contractor, provided that in no event shall Tenant be required to approve any Contractor that has not met all the criteria and approvals that would otherwise be legally necessary to bid on contracts for work with the County of Los Angeles. In addition, Landlord may select and/or approve of any subcontractors, mechanics and materialmen used in connection with the performance of the Tenant Improvement Work. Landlord shall submit three bids for the Architectural/Engineering fees, if applicable, and construction of the Tenant Improvements via the Contractor, and furniture vendors, if applicable, to Tenant for its review prior to award of the applicable contract(s).

3.2 **Construction.**

3.2.1 **Over-Allowance Amount.** If the Construction Pricing Proposal exceeds the portion of the Allowance that Tenant will apply toward the cost of Allowance Items, then, concurrently with its delivery to Landlord of approval of the Construction Pricing Proposal, Tenant shall deliver to Landlord cash in the amount of such excess (the "Over-Allowance Amount"). Any Over-Allowance Amount shall be disbursed by Landlord before the Allowance and pursuant to the same procedure as the Allowance. If, after the Construction Pricing Proposal is approved by Tenant, any revision is made to the Plans or the Tenant Improvement Work that increases the Construction Pricing Proposal, or if the Construction Pricing Proposal is otherwise increased to reflect the actual cost of all Allowance Items to be incurred by Tenant in connection with the performance of the Tenant Improvement Work pursuant to the Plans, then Tenant shall deliver any resulting Over-Allowance Amount (or any resulting increase in the Over-Allowance Amount) to Landlord immediately upon Landlord's request.

3.2.2 **Landlord's Retention of Contractor.** Landlord shall independently retain the Contractor to perform the Tenant Improvement Work in accordance with the Plans.

3.2.3 **Contractor's Warranties.** Tenant hereby waives all claims against Landlord relating to any latent defects in the Tenant Improvement Work. Notwithstanding the foregoing or any contrary provision of the Lease, if, within eleven (11) months after substantial completion of the Tenant Improvements, Tenant provides notice to Landlord of any latent defect in the Tenant Improvements, Landlord shall, at its option, either (a) assign to Tenant any right Landlord may have under the Construction Contract (defined below) to require the Contractor to correct, or pay for the correction of, such latent defect, or (b) at Tenant's expense, use reasonable efforts to enforce such right directly against the Contractor for Tenant's benefit. As used in this Work Letter, "Construction Contract" means the construction contract between Landlord and the Contractor pursuant to which the Tenant Improvements will be constructed.

4 COMPLETION.

Tenant acknowledges and agrees that the Tenant Improvement Work may be performed during Normal Working Hours after the date hereof (subject to approval by Tenant). Landlord and Tenant shall cooperate with each other in order to enable the Tenant Improvement Work to be performed in a timely manner and with as little inconvenience to the operation of Tenant's business as is reasonably possible. Notwithstanding any contrary provision of this Agreement, any delay in the completion of the Tenant Improvement Work or inconvenience suffered by Tenant during the performance of the Tenant Improvement Work shall not subject Landlord to any liability for any loss or damage resulting therefrom or entitle Tenant to any credit, abatement or adjustment of rent or other sums payable under the Lease.

5 MISCELLANEOUS.

Notwithstanding any contrary provision of this Agreement, if Tenant defaults under this Agreement before the Tenant Improvement Work is completed, Landlord's obligations under this Work Letter shall be excused until such default is cured and Tenant shall be responsible for any resulting delay

in the completion of the Tenant Improvement Work. This Work Letter shall not apply to any space other than the Premises.